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Laura Davis Jones

July 8, 2022

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**Via E-mail and First Class Mail**

Inga von Seelen  
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Volkswagen Group of America,  
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Chattanooga Operations LLC  
8001 Volkswagen Drive,  
Chattanooga, TN 37416 USA

**Re: SaarGummi Tennessee Inc.**

Dear Ms. Von Seelen:

SaarGummi Tennessee Inc. ("SaarGummi U.S.") and its affiliates look forward to continuing to work with Volkswagen and its other customers in supplying automotive parts in accordance with prior agreements. Nonetheless, external factors, including the war in Ukraine and the continuing COVID-19 pandemic (and related government orders regulating the movement and gathering of people issued in response), have caused unprecedented disruptions to, and impacts upon, SaarGummi U.S. and its affiliates in their efforts to continue producing and delivering to their customers, *inter alia*, certain sealing systems (the "Parts").

As a result of such external factors, SaarGummi U.S. and its affiliates have been working with and negotiating with Volkswagen and its affiliates and with other customers with respect to the terms of sale of such Parts. In addressing, among other things, the circumstances caused by these external factors, SaarGummi U.S. has appointed Richard Mizak to serve as its Chief Restructuring Officer ("CRO") and, as of June 21, 2022, has retained Pachulski Stang Ziehl & Jones LLP as its legal counsel.



Inga von Seelen  
July 8, 2022  
Page 2

Key to the afore-described negotiations was obtaining unanimous support for the negotiated terms from all key customers of SaarGummi. To date, Volkswagen, however has elected not to support a negotiated settlement at the level needed to make resolution possible.

When Volkswagen was faced with what it termed a “global semiconductor shortage,” Volkswagen Group of America Chattanooga Operations LLC (“VW-U.S.”) sent a notice in May 2021 modifying the relevant agreements. It explained:

*Under the prevailing Terms and Conditions which describe our business relationship, we are authorized to declare Force Majeure. The applicable Force Majeure policy within the Terms and Conditions generally states, any delay or failure of either party to perform its obligations will be excused if and to the extent that the party is unable to perform due to an event or occurrence beyond its reasonable control and without its fault or negligence.*

SaarGummi U.S. considers the relevant external factors as to its production and delivery of the Parts as described as: being other than matters of mere market conditions, supplier actions, contract disputes, labor strikes, or other labor disruptions; being beyond its reasonable control; and existing without its fault or negligence. SaarGummi U.S. views these external factors as authorizing it to declare Force Majeure under the existing agreements and we anticipate possible interruptions in deliveries for current and new programs. Moreover, and regardless, SaarGummi U.S. assesses these external factors as impediments that undermine basic assumptions in the underlying contracts and thereby potentially discharge the obligation to produce and deliver the Parts listed on Exhibit 1 or make their continued production and delivery in accordance with the underlying agreements commercially impractical and impossible, as well as untenable as a business matter.



Inga von Seelen  
July 8, 2022  
Page 3

Very truly yours,

/s/ Laura Davis Jones  
Laura Davis Jones  
Partner  
Pachulski Stang Ziehl & Jones LLP

LDJ

cc: Richard Mizak (via email – Rich.Mizak@saargummi.com )  
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